

# FEDERAL DEPOSIT INSURANCE CORPORATION

## **Selected Fund Financial Indicators**

- BIF Reserve Ratio is 1.26 percent as of June 30, 2002
- SAIF Reserve Ratio is 1.38 percent as of June 30, 2002



# Executive Management Report

Financial Results (unaudited)  
For the nine months ending September 30, 2002

## **Executive Summary**

### **For the Nine Months Ending September 30, 2002**

#### ***Bank Insurance Fund (BIF):***

- Comprehensive income was \$944 million for the nine months ending September 30, 2002, compared to \$859 million for the same period last year. Although net income declined by \$341 million compared to last year, unrealized gains on available-for-sale securities increased by \$426 million. The decline in net income primarily resulted from lower earnings on U.S. Treasury obligations and higher estimated losses for anticipated bank failure and litigation activity.
- Receivables from bank resolutions increased by \$521 million to \$600 million during the nine months of 2002. This net increase was due to the failure of eight BIF-insured institutions in 2002. Total assets at failure were \$2.4 billion. The BIF made payments of \$2.0 billion to cover obligations to insured depositors, and subsequently recovered \$825 million of these disbursements.
- Contingent liabilities for anticipated failures increased by \$252 million to \$1.5 billion during the third quarter of 2002. Most of the increase is attributable to the deterioration in the financial condition of a few BIF-insured institutions.
- The reserve ratio increased from 1.23 percent at March 31, 2002 (as amended), to 1.26 percent at June 30, 2002, just slightly above the statutorily mandated designated reserve ratio of 1.25 percent. This increase resulted from a second quarter 2002 increase in the fund balance of \$490 million, or 1.6 percent, and decrease in estimated insured deposits of \$3 billion, or 0.1 percent.
- Assets in liquidation increased by \$859 million to \$991 million during the nine months of 2002 primarily due to assets that were retained from the current year bank failures.

#### ***Savings Association Insurance Fund (SAIF):***

- Comprehensive income was \$651 million for the nine months ending September 30, 2002, compared to \$56 million for the same period last year. This increase over the prior period was primarily due to SAIF experiencing higher estimated losses in 2001 for actual and expected thrift failures.

- Receivables from thrift resolutions decreased by \$1 billion to \$275 million during the first nine months of 2002. This decrease was primarily due to: 1) recoveries totaling \$849 million of payments made to cover obligations to insured depositors for the Superior Bank, FSB receivership and 2) a final payment of \$212 million from the Superior conservatorship to repay the line of credit.
- Assets in liquidation increased by \$227 million to \$421 million during the nine months of 2002. This increase was primarily due to the consolidation of the Superior Bank conservatorship and receivership.

#### ***FSLIC Resolution Fund (FRF):***

##### ***~FRF-FSLIC~***

- The U.S. Department of Treasury (U.S. Treasury) has determined that the FRF is responsible for the payment of judgments and settlements in most supervisory goodwill litigation cases against the U.S. Government.

Future goodwill litigation judgments and/or settlements cannot be reasonably estimated at this time. This uncertainty arises, in part, from the existence of significant unresolved issues pending at the appellate or trial court level, as well as the unique circumstances of each case.

Funds to cover goodwill judgments and settlements are provided by an open-ended appropriation as provided by section 110 of the Department of Justice Appropriations Act, 2000. Because of this, any liabilities for goodwill litigation should have no material impact on the financial condition of the FRF-FSLIC.

In addition to payments for goodwill judgments and settlements, the FRF is responsible for reimbursing the U.S. Department of Justice for its goodwill litigation expenses.

During the past nine months, the trial court entered orders dismissing the following goodwill litigation cases: (1) Biase/Polifly; (2) Cenlar Capital; (3) Chatham; (4) CityFed; (5) Clare; (6) Commonwealth; (7) First Commerce; (8) First Fed Enterprise; (9) First Mid-Illinois; (10) First FB; (11) Heartland; (12) Independence Federal; (13) Hometown Savings and Loan; (14) Karnes County; (15) LSB; (16) Morton; (17) Pollack, et

## **Executive Summary** **For the Nine Months Ending September 30, 2002**

### *(Continued)* *~FRF-FSLIC ~*

al.; (18) Tucker Anthony; (19) Cain, et al.; (20) Southwest Investment Company, Inc., et al.; (21) Bailey, et al.; (22) Abbene, et al.; (23) Barron Bancshares, et al.; and (24) La Van, et al.

- In August, the Federal Circuit in Castle, et al. v. United States reversed an award of \$15 million to private plaintiffs in a closed thrift case, from which Receiver had already been dismissed. The Court found that plaintiffs had not suffered any damage as a result of the passage of FIRREA.
- Paralleling the goodwill litigation cases are eight similar cases alleging that the government breached agreements regarding tax benefits associated with certain FSLIC-assisted acquisitions. These agreements contained the promise of tax deductions for losses incurred on the sale of certain thrift assets purchased by plaintiffs, from the FSLIC, even though the FSLIC provided them with tax-exempt reimbursement. A provision in the Omnibus Budget Reconciliation Act of 1993 (popularly referred to as the "Guarini legislation") eliminated the tax deductions for these losses. To date, there have been liability determinations in five of the "Guarini cases."

The FDIC believes that it is possible that substantial amounts may be paid from the FRF-FSLIC as a result of the judgments and settlements from the "Guarini litigation." However, because of the uncertainty surrounding the method of computing damages, the amount of the damages is not estimable at this time.

- Assets in liquidation totaled \$13 million as of September 30, 2002.

### *~FRF-RTC~*

- The RTC Completion Act (Act) requires the FDIC to return to the U.S. Treasury any funds that were transferred to the RTC pursuant to the Act but not needed by the RTC. The Act made available approximately \$18 billion worth of additional funding, of which \$4.556 billion was used. In addition, the FDIC must transfer to the Resolution Funding Corporation (REFCORP) the net proceeds from the sale of FRF-RTC assets (once all liabilities of the FRF-RTC have been provided for) to pay the interest on REFCORP bonds. Any such payments benefit the U.S. Treasury, which

would otherwise be obligated to pay the interest on the bonds.

With the last payment of \$271 million on March 3, 2000, the FRF-RTC has fully repaid the \$4.556 billion to the U.S. Treasury. Beginning in April 2000, the FRF-RTC has made ten payments totaling \$4.122 billion to REFCORP. The last payment to REFCORP of \$400 million was made on July 10, 2002. The FRF-RTC cash balance is \$515 million at September 30, 2002.

- The investment in securitization related assets decreased by \$807 million to \$280 million since year end 2001 due primarily to the termination of thirteen securitization deals. Three deals remain active as of September 30, 2002; the last deal is expected to terminate in the first quarter of 2003.
- Assets in liquidation totaled \$187 million as of September 30, 2002.

# **INSURANCE FUNDS**

## **Bank Insurance Fund (BIF)**

## **Savings Association Insurance Fund (SAIF)**

The BIF and SAIF are separate insurance funds responsible for protecting insured depositors in operating banks and thrift institutions from loss due to failure of the institution. Since 1989, an active institution's insurance fund membership and primary federal regulator have been generally determined by the institution's charter type. Deposits of BIF-member institutions are generally insured by the BIF; BIF members are predominantly commercial and savings banks supervised by the FDIC, the Office of the Comptroller of the Currency, or the Federal Reserve. Deposits of SAIF-member institutions are generally insured by the SAIF; SAIF members are predominantly thrifts supervised by the Office of Thrift Supervision.

### **FINANCIAL HIGHLIGHTS**

<i>Dollars in Millions</i>	BIF		SAIF	
	(Unaudited)		(Unaudited)	
	09/30/02	09/30/01	09/30/02	09/30/01
Revenue	\$ 1,347	\$ 1,538	\$ 440	\$ 555
Operating Expenses	618	568	92	74
Insurance Losses/Expenses	423	323	(85)	513
Unrealized Gain on AFS (1)				
Securities, Net (Current Period)	638	212	218	88
Comprehensive Income	944	859	651	56
Fund Balance	\$ 31,383	\$ 31,834	\$ 11,586	\$ 10,815
June 2002/2001 Reserve Ratio (2)	1.26%	1.33%	1.38%	1.40%
June 2002/2001 Fund Balance	\$ 31,187	\$ 31,681	\$ 11,323	\$ 10,792
Estimated Insured Deposits	\$ 2,482,836 (a)	\$ 2,383,235 (b)	\$ 820,464 (a)	\$ 772,896 (b)
Total Insured Institutions	8,226 (a)	8,448 (b)	1,256 (a)	1,317 (b)
Number of Failures, YTD	8	3	1	1
Total Corporate Outlays, YTD	\$1,998	\$50	\$35	\$797
Total Estimated Corporate Losses, YTD	\$623	\$5	\$1	\$450
Total Assets at Failure (Current Year)	\$2,415	\$54	\$50	\$2,300
Assets in Liquidation (3)	\$991	\$156	\$421	\$189

(1) Available-for-Sale (AFS)

(2) The Reserve Ratio is equal to the second quarter Fund Balance divided by the second quarter Estimated Insured Deposits. The statutorily established Designated Reserve Ratio is 1.25%.

(3) Assets in liquidation is the total book value of the noncash assets to be liquidated.

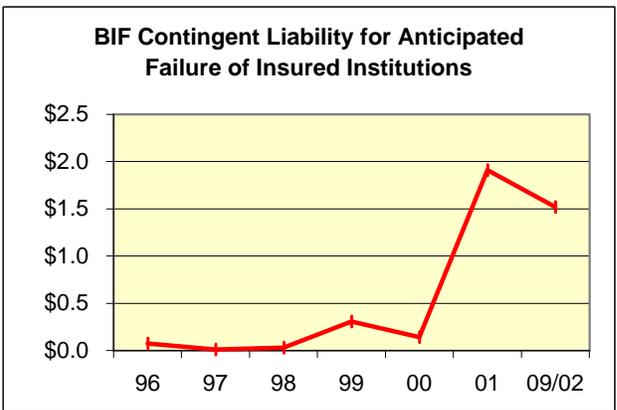
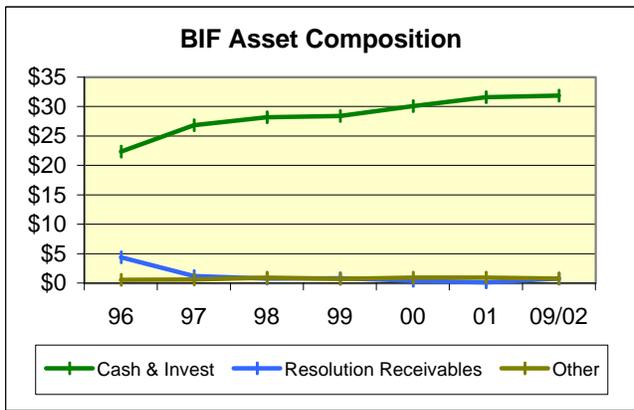
(a) Source: Second Quarter 2002 FDIC Quarterly Banking Profile. BIF figure includes 18 U.S. branches of foreign banks.

(b) Source: Second Quarter 2001 FDIC Quarterly Banking Profile. BIF figure includes 18 U.S. branches of foreign banks.

## Bank Insurance Fund Statements of Financial Position September 2002

<i>Dollars in Millions</i>	(Unaudited) September 30	
	<u>2002</u>	<u>2001</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 3,205	\$ 121
Investment in U.S. Treasury obligations, net	28,672	31,416
Interest receivable on investments and other assets, net	490	532
Receivables from bank resolutions, net	600	88
Property and buildings, net	163	167
Software development and other capitalized assets, net	126	127
<b>Total Assets</b>	<b>\$ 33,256</b>	<b>\$ 32,451</b>
<b>Liabilities</b>		
Accounts payable and other liabilities	\$ 143	\$ 117
<i>Contingent Liabilities for:</i>		
Anticipated failure of insured institutions	1,518	457
Litigation losses	206	37
Other contingencies	6	6
<b>Total Liabilities</b>	<b>1,873</b>	<b>617</b>
<b>Fund Balance</b>		
Accumulated net income	30,499	31,402
Unrealized gain on available-for-sale securities, net	884	432
<b>Total Fund Balance</b>	<b>31,383</b>	<b>31,834</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 33,256</b>	<b>\$ 32,451</b>

*Chart Data: Dollars in Billions*

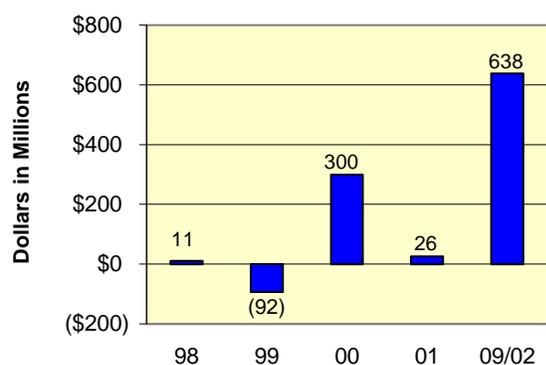


## Bank Insurance Fund Statements of Income and Fund Balance September 2002

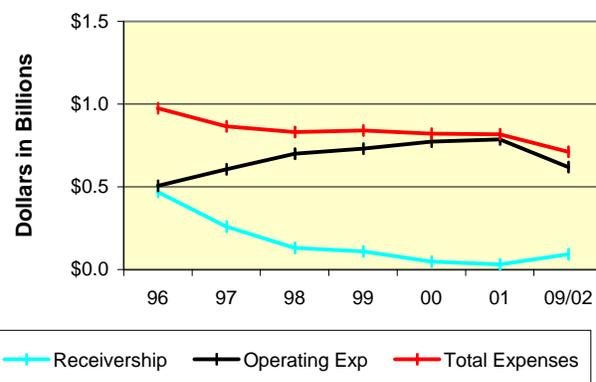
*Dollars in Millions*

	(Unaudited) Year-to-Date:		(Unaudited) Quarter Ending September:	
	2002	2001	2002	2001
<b>Revenue</b>				
Interest on U.S. Treasury obligations	\$ 1,272	\$ 1,405	\$ 404	\$ 451
Assessments	62	35	26	14
Realized gain on sale of U.S. Treasury obligations	0	78	0	0
Other revenue	13	20	3	8
<b>Total Revenue</b>	<b>1,347</b>	<b>1,538</b>	<b>433</b>	<b>473</b>
<b>Expenses and Losses</b>				
Operating expenses	618	568	220	193
<b>Insurance Losses/Expenses:</b>				
Provision for insurance losses	410	311	447	340
Interest and other insurance expenses	13	12	3	4
<b>Total Expenses and Losses</b>	<b>1,041</b>	<b>891</b>	<b>670</b>	<b>537</b>
<b>Net Income</b>	<b>306</b>	<b>647</b>	<b>(237)</b>	<b>(64)</b>
Unrealized gain on available-for-sale securities, net (current period)	638	212	433	217
<b>Comprehensive Income</b>	<b>944</b>	<b>859</b>	<b>196</b>	<b>153</b>
<b>Fund Balance - Beginning</b>	<b>30,439</b>	<b>30,975</b>	<b>31,187</b>	<b>31,681</b>
<b>Fund Balance - Ending</b>	<b>\$ 31,383</b>	<b>\$ 31,834</b>	<b>\$ 31,383</b>	<b>\$ 31,834</b>

**Unrealized Gains/(Losses) on Available-For-Sale Securities, Net - Effect on Comprehensive Income**

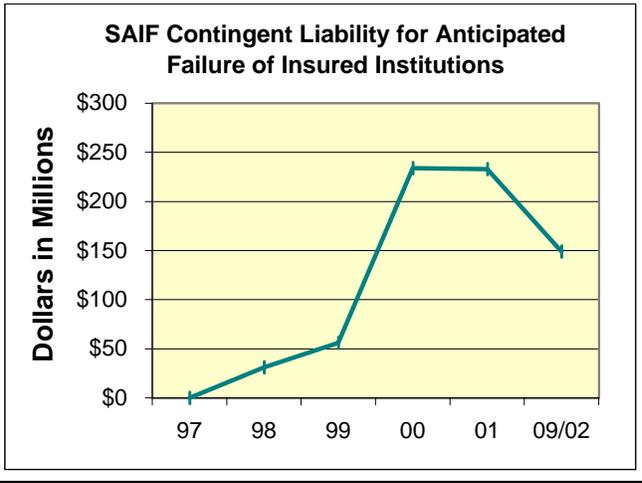
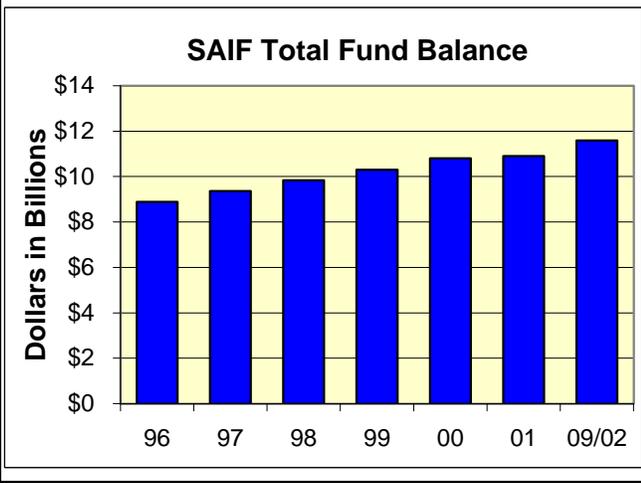


**BIF Operating and Receivership Expenses**



## Savings Association Insurance Fund Statements of Financial Position September 2002

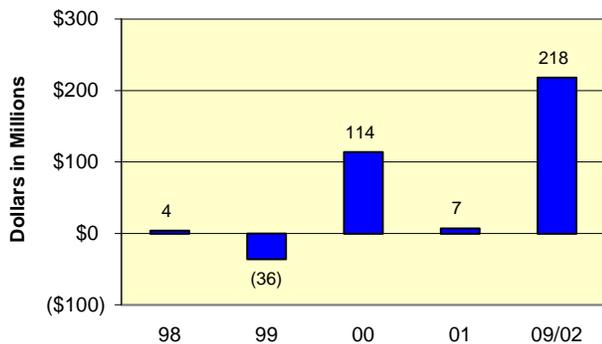
<i>Dollars in Millions</i>	(Unaudited) September 30	
	<u>2002</u>	<u>2001</u>
<b>Assets</b>		
Cash and cash equivalents - unrestricted	\$ 1,622	\$ 175
Cash and other assets - restricted for SAIF-member exit fees	309	296
Investment in U.S. Treasury obligations, net	9,705	10,472
Interest receivable on investments and other assets, net	144	160
Receivables from thrift resolutions, net	275	1,829
<b>Total Assets</b>	<b>\$ 12,055</b>	<b>\$ 12,932</b>
<b>Liabilities</b>		
Accounts payable and other liabilities	\$ 10	\$ 11
Liabilities from thrift resolutions	0	1,514
<i>Contingent Liabilities for:</i>		
Anticipated failure of insured institutions	149	290
Litigation losses	1	6
SAIF-member exit fees and investment proceeds held in escrow	309	296
<b>Total Liabilities</b>	<b>469</b>	<b>2,117</b>
<b>Fund Balance</b>		
Accumulated net income	11,279	10,645
Unrealized gain on available-for-sale securities, net	307	170
<b>Total Fund Balance</b>	<b>11,586</b>	<b>10,815</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 12,055</b>	<b>\$ 12,932</b>



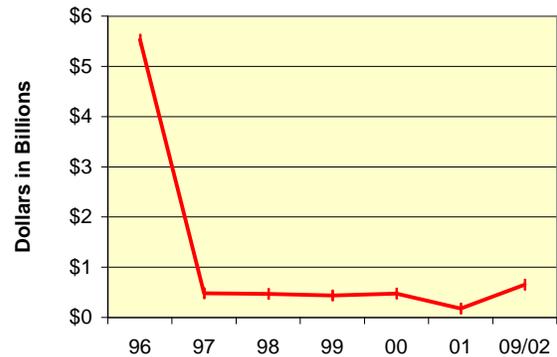
## Savings Association Insurance Fund Statements of Income and Fund Balance September 2002

<i>Dollars in Millions</i>	(Unaudited) Year-to-Date:		(Unaudited) Quarter Ending September:	
	2002	2001	2002	2001
<b>Revenue</b>				
Interest on U.S. Treasury obligations	\$ 421	\$ 494	\$ 137	\$ 156
Assessments	18	27	7	9
Realized gain on sale of U.S. Treasury obligations	0	28	0	12
Other revenue	1	6	0	4
<b>Total Revenue</b>	<b>440</b>	<b>555</b>	<b>144</b>	<b>181</b>
<b>Expenses and Losses</b>				
Operating expenses	92	74	31	25
Provision for insurance losses	(86)	509	(4)	199
Other expenses	1	4	1	4
<b>Total Expenses and Losses</b>	<b>7</b>	<b>587</b>	<b>28</b>	<b>228</b>
<b>Net Income</b>	<b>433</b>	<b>(32)</b>	<b>116</b>	<b>(47)</b>
Unrealized gain on available-for-sale securities, net (current period)	218	88	147	70
<b>Comprehensive Income</b>	<b>651</b>	<b>56</b>	<b>263</b>	<b>23</b>
<b>Fund Balance - Beginning</b>	<b>10,935</b>	<b>10,759</b>	<b>11,323</b>	<b>10,792</b>
<b>Fund Balance - Ending</b>	<b>\$ 11,586</b>	<b>\$ 10,815</b>	<b>\$ 11,586</b>	<b>\$ 10,815</b>

**Unrealized Gains/(Losses) on Available-For-Sale Securities, Net - Effect on Comprehensive Income**



**SAIF Comprehensive Income**



# ***RESOLUTION FUND***

## ***FSLIC Resolution Fund (FRF)***

The FRF is a FDIC-managed resolution fund that was originally created to wind up the affairs of the former Federal Savings and Loan Insurance Corporation (FSLIC). It is also responsible for liquidating the assets and liabilities that were transferred from the former Resolution Trust Corporation (RTC) in 1996. Statutorily, the FRF is reported as one fund; for management reporting and operational purposes, the FRF is split into its FSLIC and RTC components and accounted for separately. The assets of one component are not available to satisfy the obligations of the other.

The FRF will continue to operate until all of its assets are sold or otherwise liquidated and all of its liabilities are satisfied.

### ***FRF-FSLIC***

The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) abolished the insolvent FSLIC, created the FRF, and transferred the assets and liabilities of the FSLIC to the FRF or RTC, effective August 9, 1989. Upon dissolution of this component of the FRF, any funds remaining will be transferred to the U.S. Treasury.

### ***FRF-RTC***

The RTC was created to manage and resolve all thrifts previously insured by the FSLIC for which a conservator or receiver was appointed on January 1, 1989, or later. Resolution responsibility transferred from the RTC to the SAIF on July 1, 1995, and the RTC was terminated as of December 31, 1995. All remaining assets and liabilities of the RTC were transferred to the FRF on January 1, 1996. Upon dissolution of this component of the FRF, any funds remaining will be transferred to the U.S. Treasury or the Resolution Funding Corporation, as appropriate.

## FSLIC Resolution Fund Statements of Cash Flows and Selected Statistics September 2002

*Dollars in Millions*

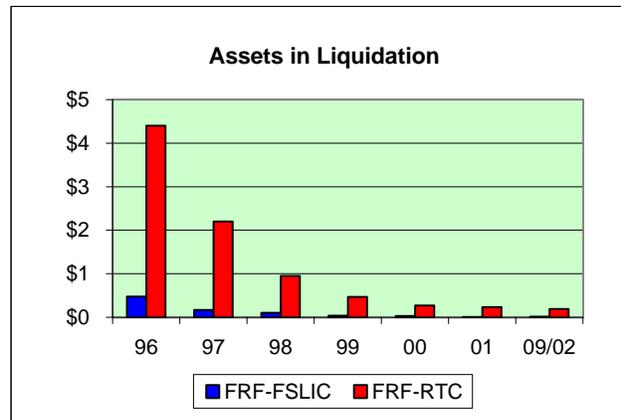
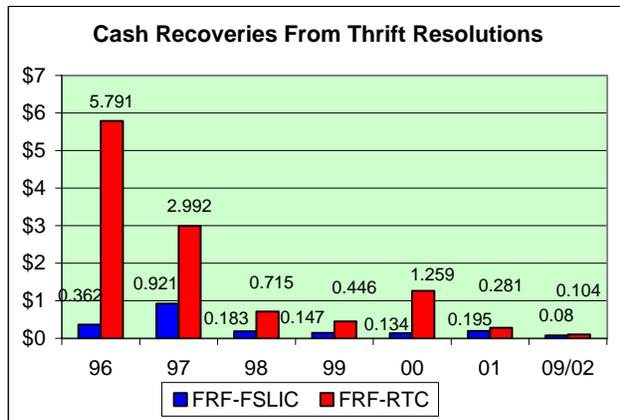
	FRF - FSLIC (Unaudited) Year-to-Date:		FRF - RTC (Unaudited) Year-to-Date:		FRF - CONSOLIDATED (Unaudited) Year-to-Date:	
	2002	2001	2002	2001	2002	2001
<b>Cash Flows</b>						
<b>Cash Flows From Operating Activities:</b>						
Cash Provided by Operating Activities	\$118	\$196	\$133	\$310	\$251	\$506
Cash Used for Operating Activities	(\$28)	(\$4)	(60)	(78)	(88)	(82)
Net Cash Provided by Operating Activities	\$90	\$192	73	232	163	424
<b>Cash Flows From Investing Activities:</b>						
Investment in Securitization Related Assets						
Acquired from Receiverships, AFS (1)	0	0	908	655	908	655
<b>Cash Flows From Financing Activities:</b>						
U.S. Treasury payments for goodwill payments	21	0	0	0	21	0
Payments to Resolution Funding Corporation (2)	0	0	(1,267)	(1,207)	(1,267)	(1,207)
<b>Net Increase/(Decrease) in Cash</b>	<b>\$111</b>	<b>\$192</b>	<b>(\$286)</b>	<b>(\$320)</b>	<b>(\$175)</b>	<b>(\$128)</b>
<b>Selected Statistics</b>						
Resolution Equity (2)	\$2,825	\$2,588	\$935	\$2,226	\$3,760	\$4,814
Number of Active Receiverships	1	1	101	148	102	149
Number of Other Liquidating Entities	14	15	15	15	29	30
Assets in Liquidation (3)	\$13	\$14	\$187	\$234	\$200	\$248

(1) Available-for-Sale (AFS)

(2) As of September 30, 2002, FRF-RTC paid \$4.6 billion to the U.S. Treasury and \$4.1 billion to the Resolution Funding Corp.

(3) Assets in liquidation is the total book value of the noncash assets to be liquidated.

*Chart Data: Dollars in Billions*



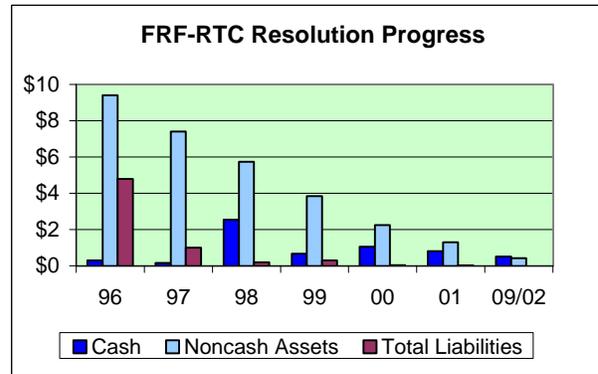
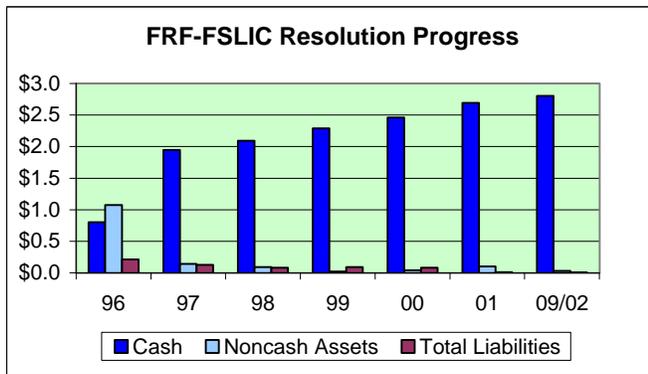
## FSLIC Resolution Fund Statements of Financial Position September 2002

*Dollars in Millions*

	FRF - FSLIC (Unaudited) September 30		FRF - RTC (Unaudited) September 30		FRF - CONSOLIDATED (Unaudited) September 30	
	2002	2001	2002	2001	2002	2001
<b>Assets</b>						
Cash and cash equivalents	\$ 2,801	\$ 2,652	\$ 515	\$ 734	\$ 3,316	\$ 3,386
Receivables from thrift resolutions, net	27	10	129	190	156	200
Investment in securitization related assets acquired from receiverships	0	0	280	1,303	280	1,303
Other assets, net	3	6	17	25	20	31
<b>Total Assets</b>	<b>\$ 2,831</b>	<b>\$ 2,668</b>	<b>\$ 941</b>	<b>\$ 2,252</b>	<b>\$ 3,772</b>	<b>\$ 4,920</b>
<b>Liabilities and Resolution Equity</b>						
<b>Liabilities</b>						
Accounts payable and other liabilities	\$ 6	\$ 6	\$ 4	\$ 19	\$ 10	\$ 25
Liabilities from thrift resolutions	0	73	0	5	0	78
Contingent liabilities for litigation losses	0	1	2	2	2	3
<b>Total Liabilities</b>	<b>6</b>	<b>80</b>	<b>6</b>	<b>26</b>	<b>12</b>	<b>106</b>
<b>Resolution Equity</b>						
Contributed capital (1)	44,178	44,157	82,649	84,121	126,827	128,278
Accumulated deficit	(41,353)	(41,569)	(81,788)	(82,279)	(123,141)	(123,848)
Unrealized gain on available-for-sale securities, net	0	0	74	384	74	384
Accumulated deficit, net	(41,353)	(41,569)	(81,714)	(81,895)	(123,067)	(123,464)
<b>Total Resolution Equity</b>	<b>2,825</b>	<b>2,588</b>	<b>935</b>	<b>2,226</b>	<b>3,760</b>	<b>4,814</b>
<b>Total Liabilities and Resolution Equity</b>	<b>\$ 2,831</b>	<b>\$ 2,668</b>	<b>\$ 941</b>	<b>\$ 2,252</b>	<b>\$ 3,772</b>	<b>\$ 4,920</b>

(1) As of September 30, 2002, Contributed Capital decreased \$8.7 billion due to the FRF-RTC payments to the U.S. Treasury and the Resolution Funding Corporation.

*Chart Data: Dollars in Billions*



## FSLIC Resolution Fund Statements of Income and Accumulated Deficit September 2002

*Dollars in Millions*

	FRF - FSLIC (Unaudited) Year-to-Date:		FRF - RTC (Unaudited) Year-to-Date:		FRF - CONSOLIDATED (Unaudited) Year-to-Date:	
	2002	2001	2002	2001	2002	2001
<b>Revenue</b>						
Interest on securitization-related assets acquired from receiverships	\$ 0	\$ 0	\$ 7	\$ 26	\$ 7	\$ 26
Interest on U.S. Treasury obligations	36	85	0	0	36	85
Interest on advances and subrogated claims	0	0	1	19	1	19
Realized gain on investment in securitization- related assets acquired from receiverships	0	0	313	234	313	234
Other revenue	2	2	10	20	12	22
<b>Total Revenue</b>	<b>38</b>	<b>87</b>	<b>331</b>	<b>299</b>	<b>369</b>	<b>386</b>
<b>Expenses and Losses</b>						
Operating expenses	5	5	29	48	34	53
Realized loss on investment in securitization- related assets acquired from receiverships	0	0	5	15	5	15
Provision for losses	(9)	(87)	(51)	(16)	(60)	(103)
Expenses for goodwill settlements and litigation	21	(6)	0	0	21	(6)
Interest expense on notes payable and other expenses	1	6	2	2	3	8
<b>Total Expenses and Losses</b>	<b>18</b>	<b>(82)</b>	<b>(15)</b>	<b>49</b>	<b>3</b>	<b>(33)</b>
<b>Net Income</b>	<b>20</b>	<b>169</b>	<b>346</b>	<b>250</b>	<b>366</b>	<b>419</b>
Unrealized loss on available-for-sale securities, net (current period)	0	0	(233)	(71)	(233)	(71)
<b>Comprehensive Income</b>	<b>20</b>	<b>169</b>	<b>113</b>	<b>179</b>	<b>133</b>	<b>348</b>
<b>Accumulated Deficit - Beginning</b>	<b>(41,373)</b>	<b>(41,738)</b>	<b>(81,827)</b>	<b>(82,074)</b>	<b>(123,200)</b>	<b>(123,812)</b>
<b>Accumulated Deficit - Ending</b>	<b>\$ (41,353)</b>	<b>\$ (41,569)</b>	<b>\$ (81,714)</b>	<b>\$ (81,895)</b>	<b>\$ (123,067)</b>	<b>\$ (123,464)</b>

*Chart Data: Dollars in Billions*

